



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



IN REPLY REFER TO:
3482
UTU-67939
(UT-923)

Certified Mail--Return Receipt Requested
Certificate No.

MAR 25 2009

Wess Sorensen
General Manager
Canyon Fuel Company, LLC., Skyline Mine
HCR 35, Box 380
Helper, UT 84526

Re: Minor Modification to the Resource Recovery and Protection Plan (R2P2), 5th Left Longwall Panel Length Reduction, Skyline Mine

Dear Mr. Sorensen:

The Bureau of Land Management (BLM) received on March 25, 2009, an R2P2 modification request from Canyon Fuel Company, LLC, for the subject mine. The proposed modification revises the mine layout and the timing of the mining, with emphasis on the reduction in length of the proposed 5th Left longwall panel on Skyline's Federal coal lease (UTU-67939). This mine was recently inspected by BLM on February 18, 2009 and March 25, 2009.

Proposed Plan: Canyon Fuel Company, LLC plans to terminate the development of the 4th Left entries at crosscut 53. A rock parting, or "spar" has been encountered in the upper part of the Lower O'Connor "A" seam which rapidly thickened from zero to more than 36 inches. The 4th Left longwall panel will be mined as planned; however, with the advent of the spar, the 5th Left Longwall will be shortened by 850 feet. The proposed bleeder and set-up entries for the 5th Left panel will be driven at a similar location as they were driven for the 4th Left panel.

An underground drilling contractor has been retained by the company to identify and verify this parting, or spar, in the 5th Left panel. One completed drill hole indicates that directly north of crosscut 53 (approximately 500 feet into the panel) the parting, or spar, is about 5 feet thick. The contractor is currently turning the direction of the hole to probe further to the east to again tag and quantify the feature. At that time a new revision of the plan may be required.

Approval: The BLM agrees with the proposed change to move the setup room for 5 Left longwall panel to cross cut 51. The thickness of the rock, its placement within the seam, coupled with the difficulty in separating the rock from the coal, preclude effective mining inby crosscut 53. The rest of the overall mine plan will not be affected by this change. A copy of the approved mine map is enclosed. Should it appear to be necessary to move the setup room outby

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to cross cut 50 or 49, please notify our Price Field Office as soon as possible for another review and consideration of an additional mine plan change.

Maximum Economic Recovery (MER): Full extraction of remaining recoverable coal reserves will enable MER of the Federal coal in lease UTU-67939 to be achieved.

Recoverable Reserve Base: The recoverable coal base tonnage will be reduced by approximately 389,000 tons. Canyon Fuel Company is required to submit to the BLM the adjusted recoverable coal base under this proposed R2P2 for Federal coal lease U-67939 as well as the revised mine plan timing map within 30 days.

National Environmental Policy Act (NEPA): No new surface disturbance is predicted with this action, and therefore this action is Categorical Excluded (CX) from NEPA analysis under DM 516 chapter 11.5, paragraph F. (8): Approval of minor modifications to, or minor variances from, activities described in an approved underground or surface mine plan for leasable minerals. (e.g., change in mining sequence or timing.).

This R2P2 modification complies with the Mineral Leasing Act of 1920, as amended, the regulations at CFR 3480, and the lease terms and conditions. If you have any questions, please contact Steve Rigby at the Price Field Office at (435) 636-3604 or Stan Perkes of my staff at (801) 539-4036.

Sincerely,

/s/J D McKenzie

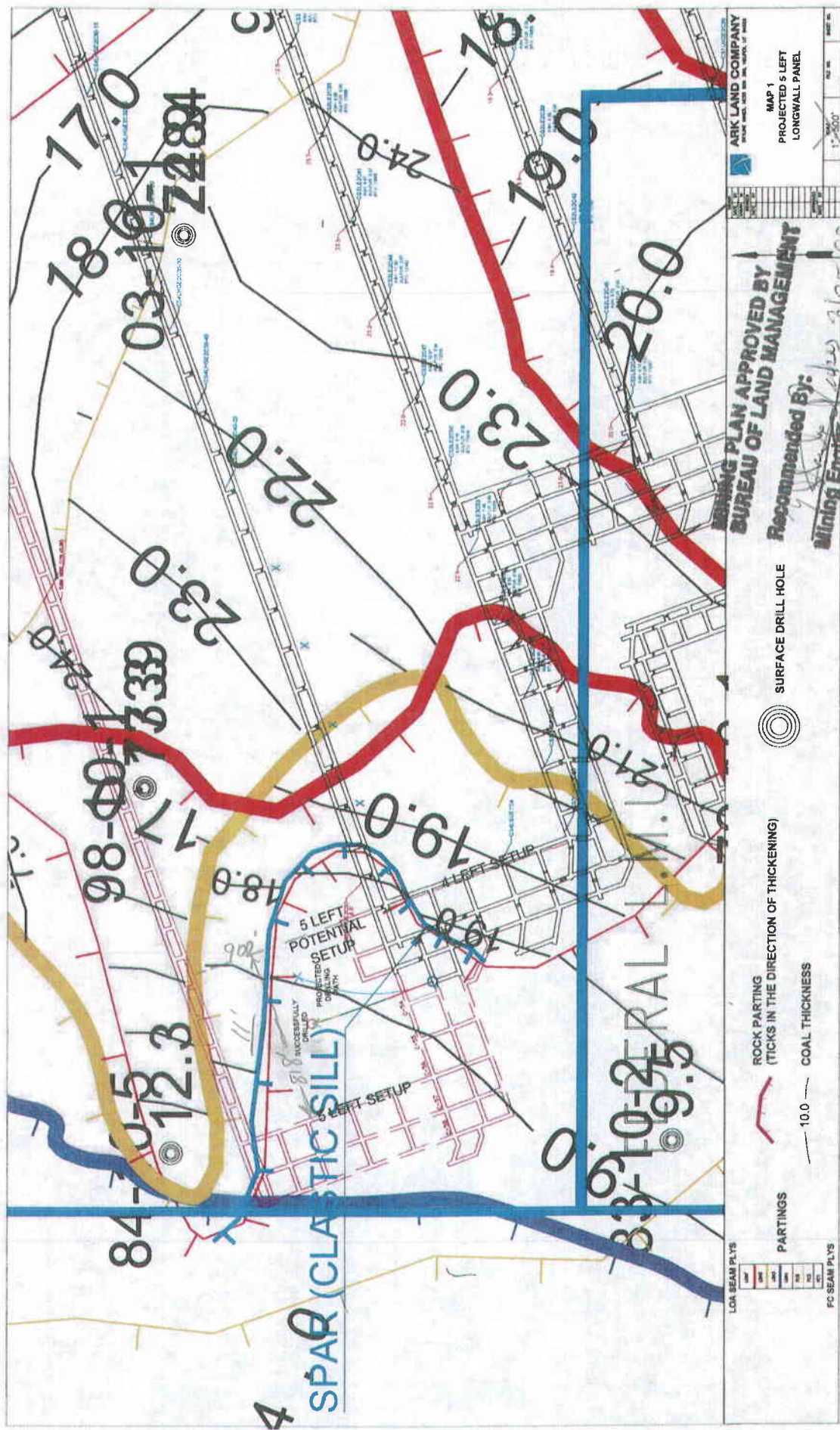
Jeff McKenzie
Acting Chief, Solid Minerals

Enclosure:

Approved Mine Map

cc: UT-070, Price Field Office (w/ Enclosure)
Utah Division of Oil Gas and Mining (w/ Enclosure)
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

$LW = 323,928$
 $CM @ 20\% = 64,785$
 $358,713$



MAP 1
 PROJECTED 5 LEFT
 LONGWALL PANEL
 ARK LAND COMPANY
 SURFACE DRILL HOLE
 ROCK PARTING (TICKS IN THE DIRECTION OF THICKENING)
 PARTINGS
 LOA SEAM PLYS
 PC SEAM PLYS
 COAL THICKNESS
 10.0
 SURFACE DRILL HOLE
 MINING PLAN APPROVED BY
 BUREAU OF LAND MANAGEMENT
 Recommended By:
 Mining Engineer (Date) 3/25/09
 Approved By:
 Manager (Date) 3/25/09

Request
For
R2P2 (Resource Recovery and Protection Plan) Modification
(One Mining Area)

Today's Date: 3/26/2009

Proposed Implementation Date: 3/26/2009

Mine Name: Skyline Mine

Lease Number(s): UTU-67939

Suggested BLM Inspection date and time: 3/26/2009

Major Undesirable event (Flood/Fire) ? No

Describe Situation Leading to Request:

Coal Seam: Lower O'Connor 'A'

Mining Area (Section):
5 Left Longwall (planned)

Current Approved R2P2 Plan (current plan that the plan shows mining to xc number ___ etc):
Current plan shows mining to the western lease line.

Requested Change in the Approved R2P2:

Proposed Plan (Including effect on coal recovery): Proposed plan is to try to mine the 5 Left setup room at crosscut 51 of the 4 Left longwall headgate. This will shorten the 5 left panel by approximately 850 feet. The reserve tonnage involved is approximately 350,000 tons. As additional drilling is performed to evaluate the rock spar, the 5 Left setup room may need to move to crosscut 50 or even to crosscut 49.

Timing: 3/26/209

Enclosures: Letter w/ map and drill logs



Canyon Fuel
Company, LLC
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC

Wess Sorensen, General Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

March 26, 2009

Mr. Jeff McKenzie
Acting Chief, Solid Minerals Branch
US Bureau of Land Management
Utah State Office
PO Box 45155
Salt Lake City, Utah 84145-0155

Re: Skyline Coal Mine, Federal Coal Lease UTU-67939
Projected 5 Left Longwall Panel

Dear Mr. McKenzie:

Skyline Mine has been successful in driving the 4 Left longwall panel for the full length that was planned. However, just prior to the conclusion of the development of the headgate entries, a rock spar sill was encountered in the upper part of the Lower O'Connor 'A' seam. This spar rapidly thickened from zero to more than thirty (30) inches at the termination of headgate mining. See Map 1.

As the 4 Left headgate is also the tailgate for the planned 5 Left longwall panel, it was planned to extend the 4 Left headgate entries another 850 feet to the west to serve 5 Left. The encounter with the spar caused Skyline Mine to, instead, drill a horizontal exploration hole to the northwest (perpendicular to the longwall block) to explore the spar. At approximately the center of the 5 Left longwall panel and 400 feet outby the 4 Left setup room, the drill hole indicates the spar is in excess of five (5) feet thick.

There are three vertical exploration holes in the vicinity of the spar area. Holes 84-10-5 and 98-10-1 did not find the spar. Hole 83-10-2 did find thinner coal but evidence of the spar is inconclusive. Logs of these holes are attached.

At this time, Skyline Mine is preparing to drive three (3) entries to the northwest into what has been the 5 Left longwall block. These entries are immediately opposite and in line with the 4 Left bleeder entries and setup room. The outby entry may become the setup room for the 5 Left panel or the setup room may be moved farther outby, depending upon the results of further underground horizontal drilling. The plan will be communicated to you as soon as it is developed.

The spar is causing a reduction in reserves and the amount is not yet known. This, also, will be communicated as soon as it is known. Although Skyline Mine regrets this action, the economics of mining the spar would be untenable, thus a portion of the 5 Left panel must be abandoned.

Sincerely,

for Wess Sorensen, General Manager

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